
THE FUTURE OF NAVAL OPERATIONS IN ALAMEDA COUNTY:

Socio-Economic and Cost Implications

INSTITUTE OF ENVIRONMENTAL
STUDIES LIBRARY

MAR 8 1995

UNIVERSITY OF CALIFORNIA

prepared by

**The Alameda County
Economic Development Advisory Board**

EXECUTIVE SUMMARY

The Alameda County Economic Development Advisory Board, a consortium of business, elected, labor, education and environmental leaders, is alarmed by the potentially devastating economic and social impacts on the County of Alameda should its three Naval installations reappear on the Secretary of Defense's April 15, 1991 list of military bases recommended for closure or realignment. Therefore, we respectfully request that the Secretary of Defense, Department of the Navy, and members of Congress remove the Alameda Naval Air Station, Alameda Naval Aviation Depot, Oakland Supply Center and the Oakland Naval Hospital from closure consideration. This request is based on overwhelming evidence set forth herein which finds that closing these facilities is not in the best interest of the national defense and is contrary to the cost reduction mandates of DOD's force structure reduction objectives.

BACKGROUND

On January 29, 1990, three Alameda County Naval Bases were included on Secretary of Defense Cheney's proposed plan to close a number of domestic military bases. Following the Secretary's announcement, these Bay Area bases were subject to extensive study as part of the Environment Review process in conformance with Statute 10 USC 2687 requiring the Secretary of Defense to present to Congress an evaluation of the local economic, environmental, strategic, budgetary, fiscal and operational consequences of the proposed closures.

Based upon the results of this EIS, it was determined that closure would result in a loss of 60,738 Bay Area jobs (44,400 in Alameda County) and \$1.5 billion in lost income. Using the Navy's EIS, the Economic Development Advisory Board projected these impacts through direct surveys of workers and procurement contractors. The following demonstrates the real cost to the federal government resulting from closure and the irreversible economic and social impacts on the Bay Area.

IMMEDIATE AND LONG TERM EMPLOYMENT IMPACTS

Alameda County is the second largest county in the Bay Area and sixth largest in the state, with a population of over 1.2 million residents. Like many older urban areas throughout the country, our north county cities, particularly Oakland, have relatively high rates of poverty and unemployment. In the last ten years, Alameda County has had the highest unemployment rate among the six-county Bay Area, a situation exacerbated by a dramatic change in the County's overall economy. Once the manufacturing center for northern California, Alameda County has lost basic manufacturing jobs at four times the national rate in the past decade.

The Navy is currently the County's largest employer. The loss of this employment base would in itself be a severe blow to the local economy. But based on a direct survey of workers analyzed by local and state employment training experts, it is concluded that it is unlikely that those workers displaced by closure of Alameda County's three Naval facilities will be absorbed into the local labor force. This is particularly ominous for minority residents who have historically held good-paying, low-skill jobs at the bases. Neither current nor emerging employment

in the region are able to provide similar job opportunities. Without the technical skills required for most jobs, these displaced workers will be limited to low-wage service and retail employment; more likely, permanent, chronic unemployment. (Civilian workers at the Naval Air Station, Alameda, average 42 years of age. This alone is a very telling factor in the barriers faced by workers seeking reemployment.)

CUMULATIVE ECONOMIC IMPACTS OF DEPARTMENT OF DEFENSE REDUCTIONS IN ALAMEDA COUNTY

These Naval bases in Alameda County represent a combined direct, indirect and induced (derived) employment of 44,400 jobs and \$1.104 billion in annual income. In addition, Alameda County is home of the country's primary defense-related research laboratories at Lawrence Livermore and Sandia. The combined direct, indirect and induced employment created by these two facilities is 211,759 with an annual \$430 million payroll.

Over the past few years, the Department of Defense has reduced funding to these labs. Proposed defense cutbacks and reductions in "Star Wars" research will have further negative impacts on employment and income generated by these labs. Combined with the threat of the downsizing or closure of the military bases in the County, the overall impact of defense spending cuts will be substantial.

DISPROPORTIONATE IMPACTS ON MINORITY AND SMALL BUSINESSES

Alameda County has the highest per-capita minority and women-owned businesses in the State of California. This is directly due to federal procurement policies and practices. The loss of these military facilities would severely affect contractors, resulting in an estimated job loss of 21,736 to Alameda County businesses.

In addition, on our own survey of actual suppliers to Alameda County's three Naval facilities, shows that over 40% of the suppliers' work force is minority employees. Of particular note, these suppliers reported potential job losses 27% higher than those estimated by the Navy in its Environmental Impact Study. In short, the actual impacts on minority and small business employment are measurably greater than those predicted in the EIS, estimated at nearly 10,000 jobs.

FISCAL IMPACT ON LOCAL GOVERNMENT

There is no disagreement that the closure of these bases would create substantial dislocation in the local work force. But, unfortunately, the Navy's EIS did not explicitly assess the cost to local government, which is statutorily required to serve displaced workers and their dependents.

This issue is particularly crucial in light of the fiscal crisis in this County. To illustrate, during FY 1990-91, the County had a \$44 million deficit, which requires substantive cuts in health, social, and public protection services. Alameda County ranks among the major California counties in extreme fiscal stress. This problem will be compounded this year due to the state's estimated \$10 billion deficit. If the proposed base closures occur, the County's ability to provide even minimal levels of essential services will be jeopardized.

According to an independent study by Pryor, Counts & Govan, the net cost to the County to provide services to workers directly displaced at the facilities will be \$140 million. This does not take into account the cost to various other government entities. For example, the City of Alameda alone will lose 30% of its annual school budget if the Naval Air Station at Alameda closes. And this does not include the potential cost to the County to support workers laid off by supply or retail employers impacted by the reduction, nor the deteriorative effect on the tax base which supports local services. In other communities which have experienced such closures, it has taken over 10 years for employment to reach pre-closure levels, under the best of circumstances. In addition, toxic clean-up (estimated at over \$200 million at NAS Alameda alone), access and seismic problems will severely limit any potential economic conversion of these facilities well beyond this century.

CUMULATIVE IMPACTS ON REMAINING BAY AREA NAVAL OPERATIONS

Closing these facilities will effectively cut the heart out of the Navy's presence in the Bay Area. As a result, it can be reasonably anticipated that ancillary activities throughout the Bay Area will be eliminated as well. The EIS fails to account for these effects.

STRATEGIC DEFENSE AND COST CONSIDERATIONS

The relocation of the work presently performed at these bases will cost an estimated \$2 billion and therefore cannot achieve the cost-reduction intended by the Congress and Department of Defense. There is no evidence to support the premise that closing these facilities is cost effective, cost saving, nor in the interest of the national security.

CONCLUSION

The announced intentions to close Alameda Naval Air Station, Alameda Naval Aviation Depot, Oakland Naval Supply Depot, and Oakland Naval Hospital will wreak sure economic and unemployment havoc on the Bay Area, particularly Alameda County. This region has already experienced a disproportionate loss of jobs due to the failure or foreign relocation of many local manufacturing plants.

The potential loss of the County's largest employer would cut 5% from our annual gross product and eliminate at least 44,400 primary jobs. The failure by the Department of Defense to provide adequate evidence of the defense savings attendant upon these closures suggests still another \$2 billion outlay to relocate, retrain and replicate the needed work force and services elsewhere. Add to this the huge toxic and hazardous waste cleanup needed to render these facilities environmentally safe and economically viable, and you have economic impacts which dwarf any data available on any of the other military facilities on the Department of Defense recommended force reduction list.

The Alameda County Economic Development Advisory Board believe this is prima facie evidence to ask for summary removal of these Alameda County Naval Facilities from the Secretary's force structure reduction list.

THE FUTURE OF NAVAL OPERATIONS IN ALAMEDA COUNTY: SOCIO-ECONOMIC AND COST IMPLICATIONS

Alameda County is the sixth largest county within the State of California, with a population of 1.2 million people.

For over 60 years, the Department of Defense's military bases and financially supported research and development facilities have been the mainstay of the County's economy. The Navy is the County's largest employer followed by the federal research and development laboratories at Lawrence Livermore and Sandia.

On January 29, 1990, the Secretary of Defense announced his proposed plan to close 26 domestic military bases and realign or reduce forces at more than 20 other bases. Included within the Secretary's plans was the proposed closure of five Bay area bases of which three are located in Alameda County. Bases include:

- Naval Air Station (NAS), Alameda, including Naval Aviation Depot (NAVAVNDEPOT), Alameda
- Naval Supply Center (NSC), Oakland
- Naval Hospital (NAVHOSP), Oakland
- Naval Air Station (NAS), Moffett Field; and
- Naval Station (NAVSTA), Treasure Island

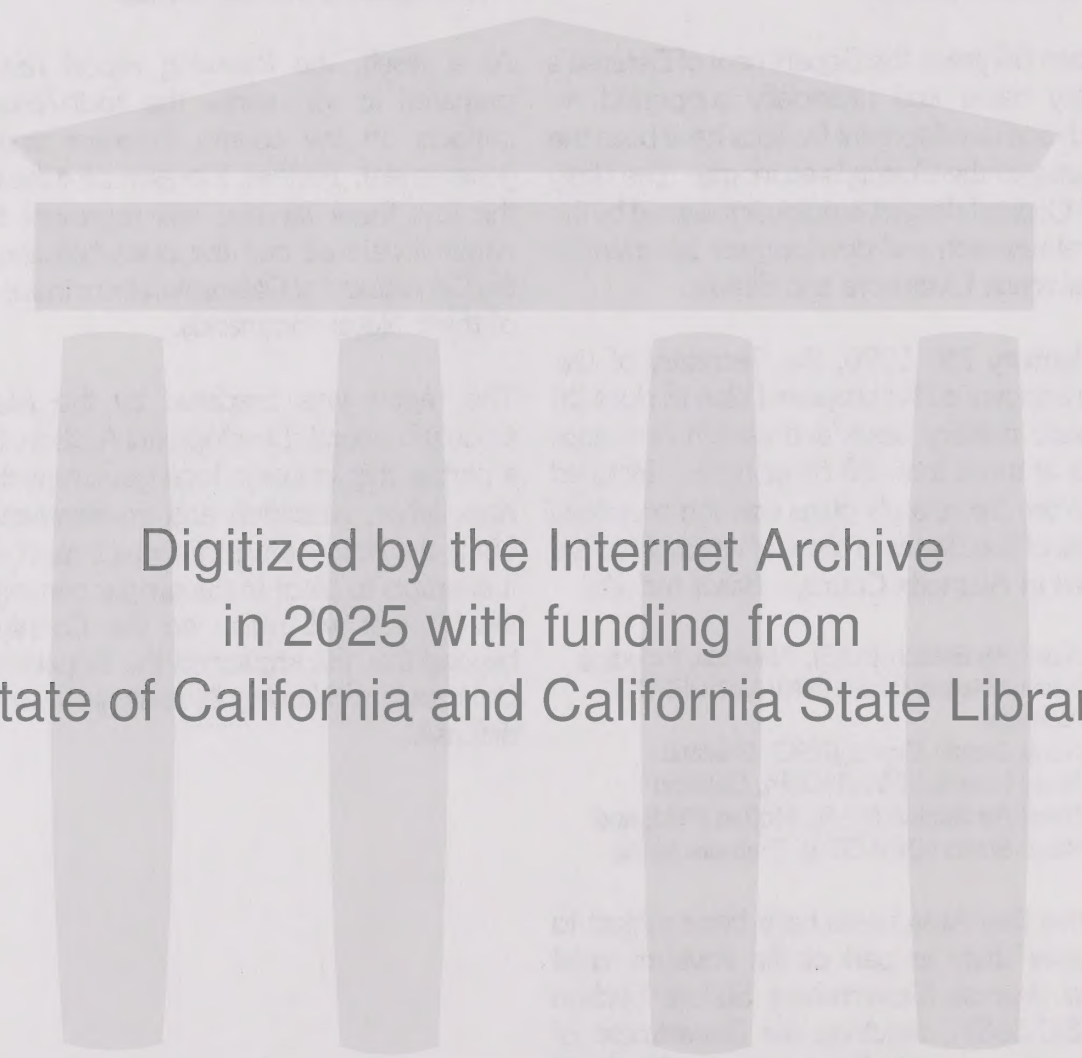
The five Bay Area bases have been subject to extensive study as part of the environmental review process (Government Statute Section 10 USC 2687), requiring the Department of Defense to present to Congress an evaluation of the local economic, environmental, strategic, budgetary, fiscal and operations consequences of the proposed closure.

The closure of the three Naval facilities within the County will have a dramatic and irreversible economic and social impact for the area and will undermine the fiscal stability of local government. This action will further weaken the area's economy which has the highest unemployment

rate in the Bay Area as a result of its changing economic base which has displaced over 30,000 workers during the last decade.

As a result, the following report has been prepared to summarize the socio/economic impacts on the county, business and local government. Further, it presents for the record the loss these facilities will represent to our national defense and the overwhelming costs the Department of Defense will incur in relocation of these Naval commands.

The report was prepared by the Alameda County Economic Development Advisory Board, a partnership between local government, business, labor, education and environmentalists. Using the Navy's environmental impact report, it attempts to place in the proper context what the impacts will mean on the County and, beyond this, the impact on the Department of Defense in weakening its strategic West Coast defense.



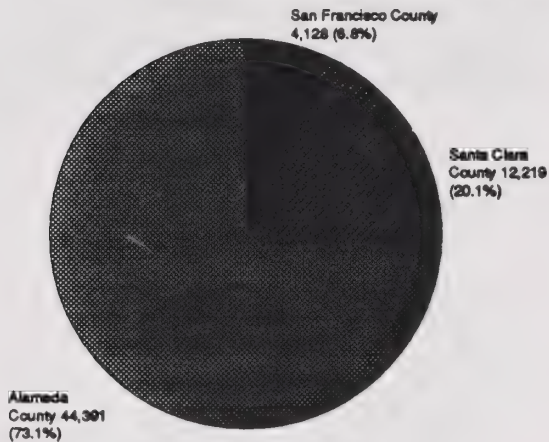
Digitized by the Internet Archive
in 2025 with funding from
State of California and California State Library

<https://archive.org/details/C124910355>

REGIONAL EMPLOYMENT AND INCOME IMPACTS

Alameda County accounts for a majority (44,391) of the 60,738 Bay Area jobs supported by the five Naval bases initially targeted for closure by the Secretary of Defense in his January 29, Force Structure Reduction Plan.

Percent of Employment Loss by Bay Area Counties



When dependents are included, 90,252 Alameda County residents will lose their primary source of income due to closure of these facilities.

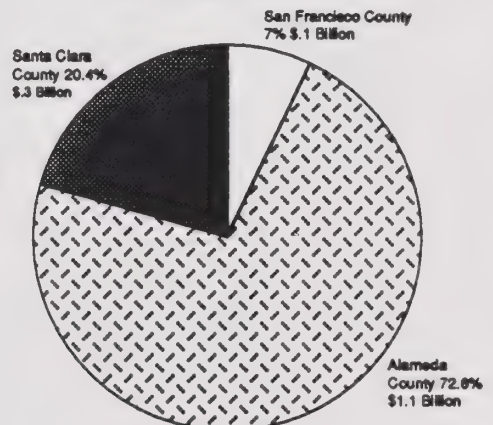
According to information provided in the Navy's EIS, Alameda County will lose 6.6% of its employment base and 66.63% of its anticipated job growth over the next five years, which will result in permanent economic hardship for the County. However, these job-loss impacts do not tell the whole story.

- Many of the workers at San Francisco's Treasure Island Naval facilities live in Alameda County, which will add to the projected impacts.
- The three bases are located in the northern region of the County which already has the highest unemployment rate in the Bay Area, and particularly impacts the City of Oakland which is the only northern California urban community designated by the U.S. Department of labor as a "labor surplus" area.

- The 6.6% job loss will add to an already-weakened local economy which continues to lose manufacturing blue-collar jobs at four times the national rate; scarce jobs for which the majority of the displaced Navy workers will be competing. These job losses will add significantly to Alameda County's considerable structural unemployment problem.

Concurrent with the loss of employment for the region, Alameda will lose 1.1 billion (72.6%) of the \$1.5 million income generated from the Navy payroll and procurement activities in the Bay Area.

Percent of Income Loss by Bay Area Counties



For Alameda County, this represents an income loss of 4.8% and 36.8% of our projected income growth over the next five years.

But the military bases do not represent the only Department of Defense financially supported activity in Alameda County. The County, in addition, is home for the country's primary defense-related research laboratories at Lawrence Livermore and Sandia. The combined direct, indirect and induced employment created by these two facilities is 21,759 with a total \$430 million payroll value.

Over the past few years, the Department of Defense has reduced funding to the Labs.

While increased technology transfer and joint-venture efforts with private research and development firms have partially offset this reduction in federal investment, defense cutbacks and proposed reductions in "Star Wars" research will have a negative impact on employment and income generated by the Labs.

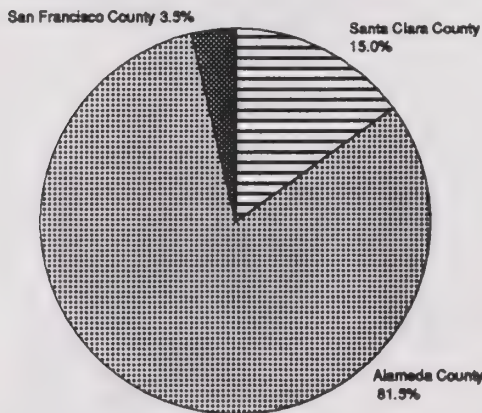
Therefore, the combined impacts of Naval base closings and the reduction in defense-related funding for its research and development labs will have a severe economic and social impact on the entire region, perhaps irreversible, certainly in the long term.

CIVILIAN JOBS LOST IN THE BAY AREA

While it is expected that a majority of the military personnel and their dependents will be relocated, this will not be the case for the large percentage of civilian employees who presently live in Alameda County.

According to the EIS, these three Alameda County installations currently employ 8,605 civilian workers.

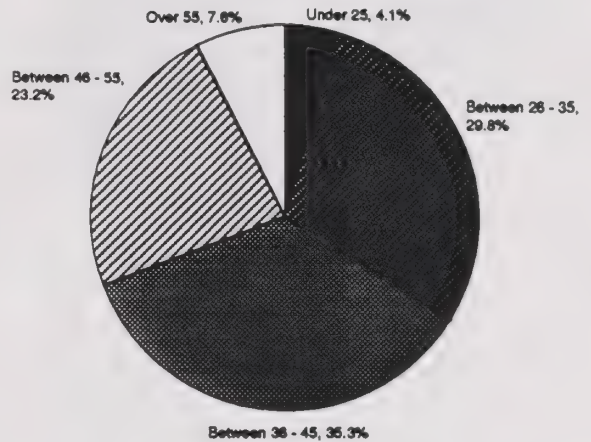
Percentage Distribution of Civilian Workers By Bay Area Counties



Clearly, the displacement of civilian workers will have a dramatic impact on the County's economy. However, these numbers do not reveal the extreme difficulties these civilian workers face in attempting to find non-defense employment in the Bay Area.

The Alameda County Economic Development Advisory Board (EDAB) recently surveyed workers at the Naval Aviation Depot, Alameda (which accounts for 4,053 of the civilian workers employed by the Navy here). Of the 725 workers sampled, over half are minorities; their average age is 42; almost 30% own their homes; over 80% have dependents.

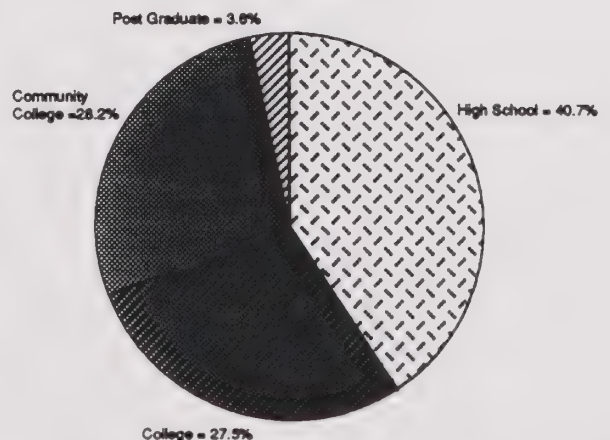
Percent Age Distribution



In addition, the highly unique and specialized skills of this work force, combined with limited educational experience, will compound the problems these workers will experience in attempting to find jobs in the County's non-military employment sector which has lost over 2,500 jobs since 1990 and over 30,000 in the past decade.

As a result, the employment outlook for these workers, who on the average have dedicated 16.5 years of service to the Navy, is distressingly pessimistic.

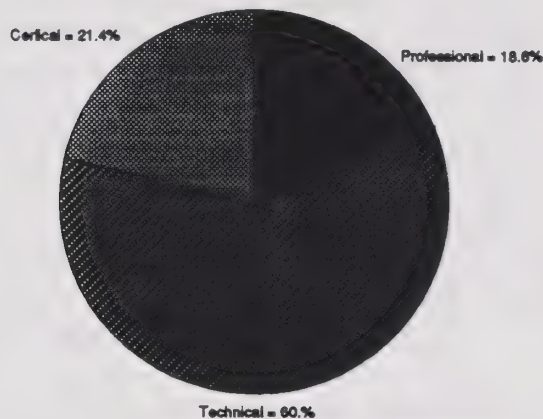
Education



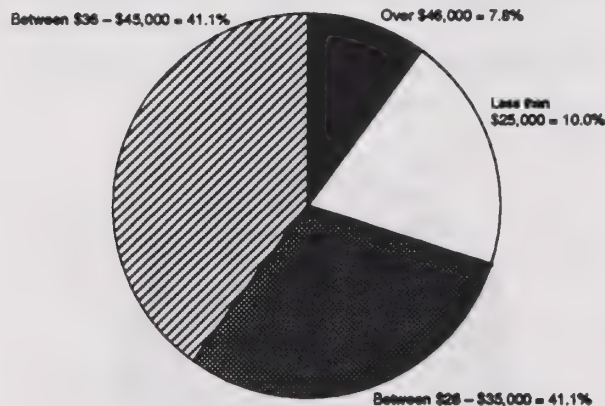
For those workers who are likely to find employment, it is anticipated that they will not be able to obtain a job that will return a comparable

standard of living. For the workers surveyed, their average annual salary is \$35,905, plus complete health care benefits for their families.

Job Classification



Salary



This ominous and bleak employment forecast is further illustrated by two recent plant closure studies in Alameda County:

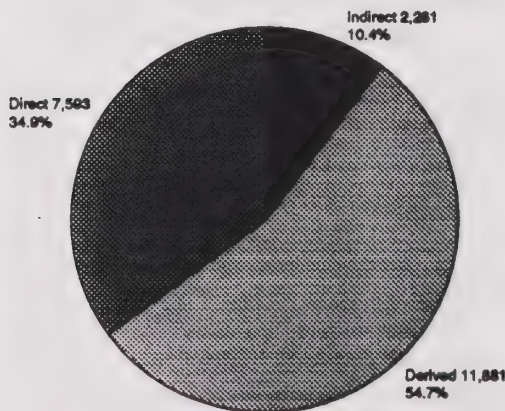
- In 1986, the loss of a local industrial manufacturer displaced 142 skilled and semi-skilled workers. Less than 10% of these workers were reemployed, and the estimated cost to local government to provide for those displaced workers was between \$3.5 and \$4.5 million in the subsequent three-year period due to increases in costs for public social services, health care and lost tax revenues.
- When General Motors closed its production plant here in 1982, more than 5,680 workers were laid off. Two years later, after intensive retaining and support services provided by the U.S. Department of Labor, the State of California and General Motors (expenditures which exceeded \$10 million), 3,141 of those workers remained unemployed. (This is a time when the South Bay's economy was in a boom cycle resulting from the growth in high technology.)

IMPACT OF JOB LOSS FROM PROCUREMENT- ASSOCIATED BUSINESS ACTIVITY

For over 60 years, the Naval Air Station, Oakland Naval Hospital, and the Naval Supply Depot have been an integral part of Alameda County's economy. During 1989, the three bases accounted for a combined \$143.8 million in procurement and associated business activity for the Bay Area. This expenditure by the Navy, however, does not include the significant amount of annual capital expenditures by the bases for facility improvements and construction including off-base housing.

Based on information from the Navy's Environmental Impact Study, Alameda County will lose a total of 21,736 direct, indirect and derived jobs if the three Naval installations are closed.

Direct, Indirect and Derived Job Loss to Alameda County



In order to understand the impacts on the businesses in the County that are in jeopardy of losing their procurement contracts, EDAB surveyed those suppliers currently holding contracts with the Navy here. The results of our survey determined:

- That the direct employment impacts on suppliers estimated in the EIS at 7,953 was understated by over 27%. The real job loss is therefore 9,043. It follows that the loss of indirect and derived jobs is also much higher than projected in the EIS.

- 30.2% of the suppliers work force are minorities, with layoffs principally occurring in the technical jobs field (52.3%) for which reemployment opportunities are severely limited within the Bay Area:

% of Job Loss by Occupation

Professional	25.5%
Clerical	22.2%
Technical	52.3%

- Many of the suppliers reported that they will need government assistance to secure loans and grants, including technical and worker job-training assistance in order to survive and make the necessary adjustments to non-defense business activities.
- Many of the suppliers are small and minority-owned businesses who reported the loss of federal procurement contacts will likely result in business failure.

IMPACT ON LOCAL GOVERNMENT

The fiscal burden on local government will undermine the solvency of the County and its principal cities, Oakland and Alameda.

While the Navy's EIS estimated impact on the community, they completely failed to undertake adequate examination of the fiscal impacts on local government.

For example:

- An independent study released in June, 1990 by Pryor, Govan and Counts, a recognized investment banking firm, determined that Alameda County would incur a cost increase of \$140 million per year in added health, social services and economic benefits' costs associated with the displacement of personnel employed at these facilities. These costs would become structural without massive federal mitigation accompanying any plans for closing these facilities. It is our understanding that no such mitigation is provided anywhere in the Navy of DOD's current plans.
- Economic conversion of the three facilities is, under the best of circumstances, extremely unlikely due to toxic, access and seismic problems. Based upon the Navy's own preliminary estimates, the cost for toxic clean-up at NAS Alameda alone is in excess of \$200 million. Independent analysis provided by EDAB suggests that this figure could double or triple once actual abatement is underway. Again, no provision is apparently made or planned for such necessary federal appropriations.
- Alameda County is among those California counties in extreme fiscal duress. During FY 1990-91, the County had a \$44 million deficit, requiring substantive cuts in health, social and public protection services. It faces an even larger deficit this year in the wake of the state's projected \$10 million budget deficit.
- Based upon the Navy's EIS, the Alameda Unified School District will lose 30% of its annual revenue. This would result in closing at least five schools in that community of 75,000 residents. Oakland schools estimate a loss of over \$4 million in classroom-related funding.

STRATEGIC DEFENSE AND COST IMPLICATIONS

The fact that Alameda County's Naval installations continue to be considered for closure is the result of recommendations made in haste, without the benefit of any substantial review of the pertinent facts. The work done at each of the three bases is critical to the national defense, and the closing of these facilities would require the same work to be done somewhere else at the risk of higher cost and with the tremendous costs of transferring technology and personnel. We believe closure is inconsistent with the criteria set forth under the congressionally approved process for base closings and realignment. The following facts speak for themselves.

- NAS Alameda is the West Coast port capable of homeporting three carriers (CVNs).
- Together, NAS and NADEP Alameda form one of the largest and most comprehensive industrial complexes dedicated to Naval aviation.
- Alameda ships and programs would be transferred not reduced or eliminated.
- NAS has one the finest deep-water ports, which allows rapid ingress and egress to sea.
- A modern Naval complex with more than 60 years of sunk costs.
- During the last few years, over \$70 million has been invested in NADEP facility improvements — state-of-the-art environmental facilities.
- A large pool of Naval personnel covering all of Northern California.
- A \$100 million communication facility installed in 1990.
- A Naval infrastructure that can accommodate significant fleet presence, and contingency, mobilization and future forced requirements.
- Significant (and in some cases unique) Naval training facilities in place.
- Aircraft carrier (CVN) dry lock at Hunter's Point is a national treasure, being one of the only two existing on the West Coast.
- Relocating Bay Area commands would cost up to \$2 billion.
- Closure would leave one airfield on the West Coast contiguous to a deep-water port.
- Closure of NADEP Alameda would leave four depots on the East Coast with only one at San Diego for pacific region support.



C124910355

STATISTICAL INFERENCE AND COST THEORY

The first part of the book is devoted to the theory of statistical inference. It begins with a discussion of the basic concepts of probability and statistics, and then proceeds to a more detailed treatment of the various methods of statistical inference.

The second part of the book is devoted to the theory of cost. It begins with a discussion of the basic concepts of cost theory, and then proceeds to a more detailed treatment of the various methods of cost accounting.

The third part of the book is devoted to the theory of production. It begins with a discussion of the basic concepts of production theory, and then proceeds to a more detailed treatment of the various methods of production accounting.

The fourth part of the book is devoted to the theory of distribution. It begins with a discussion of the basic concepts of distribution theory, and then proceeds to a more detailed treatment of the various methods of distribution accounting.

The fifth part of the book is devoted to the theory of finance. It begins with a discussion of the basic concepts of finance theory, and then proceeds to a more detailed treatment of the various methods of finance accounting.

The first part of the book is devoted to the theory of statistical inference. It begins with a discussion of the basic concepts of probability and statistics, and then proceeds to a more detailed treatment of the various methods of statistical inference.

The second part of the book is devoted to the theory of cost. It begins with a discussion of the basic concepts of cost theory, and then proceeds to a more detailed treatment of the various methods of cost accounting.

The third part of the book is devoted to the theory of production. It begins with a discussion of the basic concepts of production theory, and then proceeds to a more detailed treatment of the various methods of production accounting.

The fourth part of the book is devoted to the theory of distribution. It begins with a discussion of the basic concepts of distribution theory, and then proceeds to a more detailed treatment of the various methods of distribution accounting.

The fifth part of the book is devoted to the theory of finance. It begins with a discussion of the basic concepts of finance theory, and then proceeds to a more detailed treatment of the various methods of finance accounting.

The sixth part of the book is devoted to the theory of marketing. It begins with a discussion of the basic concepts of marketing theory, and then proceeds to a more detailed treatment of the various methods of marketing accounting.

The seventh part of the book is devoted to the theory of international trade. It begins with a discussion of the basic concepts of international trade theory, and then proceeds to a more detailed treatment of the various methods of international trade accounting.

The eighth part of the book is devoted to the theory of public finance. It begins with a discussion of the basic concepts of public finance theory, and then proceeds to a more detailed treatment of the various methods of public finance accounting.

The ninth part of the book is devoted to the theory of labor relations. It begins with a discussion of the basic concepts of labor relations theory, and then proceeds to a more detailed treatment of the various methods of labor relations accounting.

The tenth part of the book is devoted to the theory of social welfare. It begins with a discussion of the basic concepts of social welfare theory, and then proceeds to a more detailed treatment of the various methods of social welfare accounting.

The eleventh part of the book is devoted to the theory of economic development. It begins with a discussion of the basic concepts of economic development theory, and then proceeds to a more detailed treatment of the various methods of economic development accounting.